

**Exhibit A
to
Ordinance**

PAYING AGENT/REGISTRAR AGREEMENT

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of July 24, 2008 (this "Agreement"), by and between the City of Austin, Texas (the "City"), and Deutsche Bank Trust Company Americas, a banking corporation organized and existing under the laws of the State of New York and authorized to do business in the State of Texas, or its successors or assigns hereunder (the "Bank"),

RECITALS

WHEREAS, the City has duly authorized and provided for the execution and delivery of its "City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008" (the "Securities"), pursuant to an Ordinance No. 20080724-101, together with all appendices and exhibits thereto, to be adopted by the City on July 24, 2008 (the "Ordinance"), which Securities are scheduled to be delivered to the initial purchaser on or about August 14, 2008; and

WHEREAS, the City has selected the Bank to serve as paying agent, registrar and transfer agent with respect to such Securities; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the City and is duly qualified and otherwise capable of performing the duties and responsibilities contemplated by this Agreement with respect to the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT/REGISTRAR

Section 1.01: Appointment. Subject to the terms and conditions contained herein and in the Ordinance, Deutsche Bank Trust Company Americas, New York, New York, is hereby designated and appointed Paying Agent/Registrar in the performance of its duties and obligations hereunder and under the Ordinance. Deutsche Bank Trust Company Americas, New York, New York, hereby accepts such appointment and the City consents to such designation and appointment. Deutsche Bank Trust Company Americas, New York, New York, hereby certifies that it is qualified to act as the Paying Agent/Registrar under the Ordinance, and has the capacity to, and agrees to, perform the duties and responsibilities of the Paying Agent/Registrar herein and under the Ordinance.

Section 1.02: Compensation. As compensation for the Bank's services as Paying Agent/Registrar, the City hereby agrees to pay the Bank the fees and amounts set forth in Annex A attached.

In addition, the City agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

Any obligation of the City created by or arising out of this Agreement and owing to the Paying Agent/Registrar shall be a limited unsecured obligation of the City, payable solely from the Pledged Revenues of the City, in accordance with the customary payment approval procedures, policies and processes of the City.

ARTICLE TWO DEFINITIONS

Section 2.01: Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

“Acceleration Date” on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

“Bank Office” means the designated office of the Bank as indicated in Section 3.01 hereof. The Bank will notify the City in writing of any change in location of the Bank Office.

“City Request” and “City Order” means a written request or order signed in the name of the City by the Mayor, City Clerk, City Manager, Assistant City Manager, Chief Financial Officer, Deputy Chief Financial Officer, or City Treasurer, any one or more of said officials, and delivered to the Bank.

“Fiscal Year” means the fiscal year of the City, ending September 30th.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

“Predecessor Securities” of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Resolution).

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Ordinance.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Bank on behalf of the City providing for the registration and transfers of Securities.

“Stated Maturity” means the date specified in the Ordinance the principal of a Security is scheduled to be due and payable.

Section 2.02: Other Definitions. The terms “Bank,” “City,” and “Securities (Security)” have the meanings assigned to them in the recital paragraphs of this Agreement. Capitalized terms used herein but not otherwise defined herein shall have the meaning set forth in the Ordinance.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE PAYING AGENT/REGISTRAR

Section 3.01: Payments. As Paying Agent/Registrar, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the City or drawn by the Bank under any Liquidity Facility, pay on behalf of the City the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the following office:

Deutsche Bank Trust Company Americas
Trust & Securities Services
60 Wall Street
27th Floor, MS NYC60-2715
New York, New York 10005

As Paying Agent/Registrar, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the City, pay on behalf of the City or drawn by the Bank under any Liquidity Facility, the interest on each Security when due, by computing the amount of interest to be paid each Holder and making payment thereof to the Holders of the Securities (or their Predecessor Securities) on the Record Date. All payments of principal and/or interest on the Securities to the registered owners shall be accomplished by the method set forth in the Ordinance or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

Section 3.02: Payment Dates. The City hereby instructs the Bank to pay the principal of and interest on the Securities at the dates specified in the Ordinance.

Section 3.03: Security Register - Transfers and Exchanges. The Bank agrees to keep and maintain for and on behalf of the City at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the City and subject to such reasonable regulations as the City and Bank may prescribe. The Bank represents and warrants that it will file and maintain a copy of the Security Register with the City of Austin, Texas, and shall cause the Security Register to be current with all registration and transfer

information as from time to time may be applicable. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 3.04: Draws on the Liquidity Facility. As Paying Agent/Registrar, the Bank shall draw on the Liquidity Facility when and as requested under the Ordinance. Such drawn funds shall be transferred or deposited to the appropriate parties or accounts, as the case may be, in accordance with the Ordinance.

Section 3.05: Certificates. The City shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other governments or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 3.06: Form of Security Register. The Bank, as Paying Agent/Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 3.07: List of Security Holders. The Bank will provide the City at any time requested by the City, upon payment of the required fee, a copy of the information contained in the Security Register. The City may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the City, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the City so that the City may contest the court order or such release or disclosure of the contents of the Security Register.

Section 3.08: Return of Cancelled Certificates. The Bank will, at such reasonable intervals as it determines, surrender to the City, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

Section 3.09: Mutilated, Destroyed, Lost or Stolen Securities. The City hereby instructs the Bank, subject to the provisions of the Ordinance, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only upon the approval of the City and after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the City and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

Section 3.10: Transaction Information to City. The Bank will, within a reasonable time after receipt of written request from the City, furnish the City information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 3.03, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 3.08.\

Section 3.11: Creation of Direct-Pay Liquidity Facility Drawing Account. There is established in the Ordinance and maintained with the Bank, as the Paying Agent/Registrar, a separate fund to be known as the “City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 Direct-Pay Liquidity Facility Drawing Account” (the “Direct-Pay Liquidity Facility Drawing Account”), and funds deposited to such account shall be held and disbursed by the Bank in accordance with the provisions of Part 5.2 of Appendix A to the Ordinance.

Amounts held in the Direct-Pay Liquidity Facility Drawing Account by the Bank shall be held uninvested and separate and apart from all other funds and accounts.

ARTICLE FOUR THE BANK ;

Section 4.01: Duties of Bank. The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

Section 4.02: Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by City.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 4.03: Recitals of City. The recitals contained herein with respect to the City and in the Securities shall be taken as the statements of the City, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the City, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 4.04: May Hold Securities. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the City with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 4.05: Moneys Held by Bank - Paying Agent Account/Collateralization. A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping and disbursement of moneys received from the City hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under both the laws of the State of Texas and the laws of the United

States of America to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such account shall be made by check drawn on such account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the applicable unclaimed property laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be paid by the Bank to the City, and the Holder of such Security shall thereafter look only to the City for payment thereof, and all liability of the Bank with respect to such moneys shall thereupon cease.

Section 4.06: Indemnification. To the extent permitted by law, the City agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

Section 4.07: Interpleader. The City and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where the administrative offices of the City is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 3.01 of this Agreement shall constitute adequate service. The City and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

Section 4.08: DTC Services. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements," which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and

funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE FIVE MISCELLANEOUS PROVISIONS

Section 5.01: Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 5.02: Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 5.03: Notices. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the City or the Bank shall be mailed or delivered to the City or the Bank, respectively, at the addresses shown on the signature page hereto.

Section 5.04: Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 5.05: Successors and Assigns. All covenants and agreements herein by the City shall bind its successors and assigns, whether so expressed or not.

Section 5.06: Severability. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 5.07: Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 5.08: Entire Agreement. This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Ordinance, the Ordinance shall govern.

Section 5.09: Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 5.10: Termination. This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the

Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the City and such appointment accepted and (b) notice given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and City mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the City.

The provisions of Section 1.02 and of Article Four shall survive and remain in full force and effect following the termination of this Agreement.

Section 5.11: Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

DEUTSCHE BANK TRUST COMPANY
AMERICAS, New York, New York

Attest:

By: _____
Title: _____

Title:

Address: 60 Wall Street
27th Floor, MS NYC60-2715
New York, New York 10005

CITY OF AUSTIN, TEXAS

Attest:

Will Wynn, Mayor

Address: 700 Lavaca, Suite 1510
Austin, Texas 78701

Shirley A. Gentry
City Clerk

**Exhibit B
to
Ordinance**

INTEREST RATE MANAGEMENT AGREEMENT

(Local Currency—Single Jurisdiction)



International Swap Dealers Association, Inc

MASTER AGREEMENT

dated as of August 11, 2008

**MORGAN KEEGAN FINANCIAL
PRODUCTS, INC.**

and

CITY OF AUSTIN, TEXAS

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions

Accordingly, the parties agree as follows: —

1. Interpretation

- (a) **Definitions.** The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

- (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
- (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement
- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant

- (b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change

- (c) **Netting.** If on any date amounts would otherwise be payable: —

- (i) in the same currency, and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries

- (d) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:—

- (a) **Basic Representations.**

- (i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance,
- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment

of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

- (iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with, and
 - (v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).
- (b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.
 - (c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.
 - (d) **Accuracy of Specified information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party.—

- (a) **Furnish Specified Information.** It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.
- (b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future
- (c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party

5. Events of Default and Termination Events

- (a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party.—
 - (i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not

remedied on or before the third Local Business Day after notice of such failure is given to the party;

- (ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;
- (iii) **Credit Support Default.**
 - (1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;
 - (2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or
 - (3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;
- (iv) **Misrepresentation.** A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;
- (v) **Default under Specified Transaction.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf),
- (vi) **Cross Default.** If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

- (vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party —
- (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger), (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof, (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter, (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or
- (viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:
- (1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement, or
 - (2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement
- (b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below.—
- (i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party)—
 - (1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

- (2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction,
- (ii) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or
- (iii) **Additional Termination Event.** If any “Additional Termination Event” is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation)
- (c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

- (a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8)
- (b) **Right to Terminate Following Termination Event.**
 - (i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.
 - (ii) **Two Affected Parties.** If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event
 - (iii) **Right to Terminate.** If —
 - (1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i), or
 - (2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit

Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) ***Effect of Designation.***

- (i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing
- (ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e)

(d) ***Calculations.***

- (i) ***Statement.*** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation
- (ii) ***Payment Date.*** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

- (e) ***Payments on Early Termination.*** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

- (i) ***Events of Default.*** If the Early Termination Date results from an Event of Default—

- (1) ***First Method and Market Quotation.*** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party
- (2) ***First Method and Loss.*** If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

- (3) *Second Method and Market Quotation* If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party, if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.
 - (4) *Second Method and Loss* If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.
- (ii) **Termination Events.** If the Early Termination Date results from a Termination Event:—
- (1) *One Affected Party* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.
 - (2) *Two Affected Parties* If there are two Affected Parties:—
 - (A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y, and
 - (B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").
- If the amount payable is a positive number, Y will pay it to X, if it is a negative number, X will pay the absolute value of that amount to Y.
- (iii) **Adjustment for Bankruptcy.** In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).
 - (iv) **Pre-Estimate.** The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

- (a) a party may make such a transfer of this Agreement pursuant to a consolidation amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and
- (b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void

8. Miscellaneous

- (a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto
- (b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
- (c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.
- (d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.
- (e) **Counterparts and Confirmations.**
 - (i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original
 - (ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise) A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation
- (f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.
- (g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement

9. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection

10. Notices

- (a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated.—
- (i) if in writing and delivered in person or by courier, on the date it is delivered,
 - (ii) if sent by telex, on the date the recipient's answerback is received;
 - (iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine),
 - (iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or
 - (v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day

- (b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it

11. Governing Law and Jurisdiction

- (a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule
- (b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably —
- (i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and
 - (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction

- (c) **Waiver of Immunities.** Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets

(whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. Definitions

As used in this Agreement —

"Additional Termination Event" has the meaning specified in Section 5(b)

"Affected Party" has the meaning specified in Section 5(b)

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means,—

- (a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate,
- (b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate,
- (c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and
- (d) in all other cases, the Termination Rate.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement

"Credit Support Provider" has the meaning specified in the Schedule

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iii)

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"law" includes any treaty, law, rule or regulation and **"lawful"** and **"unlawful"** will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under

Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(i)(2)(A) applies Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a)

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction

"Set-off" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of—

- (a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and
- (b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Event" means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under

Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document

**MORGAN KEEGAN FINANCIAL
PRODUCTS, INC.**

CITY OF AUSTIN, TEXAS

By: _____	By: _____
Name.	Name.
Title	Title.
Date.	Date

SCHEDULE
to the
Master Agreement
(Local Currency – Single Jurisdiction)

dated as of August [], 2008

between

City of Austin, Texas and Morgan Keegan Financial Products, Inc.
(the "Counterparty") (the "Provider")

(City of Austin, Texas Hotel Occupancy Tax Bonds)

Part 1

TERMINATION PROVISIONS

- (a) **“Specified Entity”** means in relation to the Provider for the purpose of:
- | | |
|--|-----------|
| Section 5(a)(v) (Default under Specified Transaction), | None; |
| Section 5(a)(vi) (Cross Default), | None; |
| Section 5(a)(vii) (Bankruptcy), | None; and |
| Section 5(b)(ii) (Credit Event Upon Merger), | None; |
- in relation to the Counterparty for the purpose of:
- | | |
|--|-----------|
| Section 5(a)(v) (Default under Specified Transaction), | None; |
| Section 5(a)(vi) (Cross Default), | None; |
| Section 5(a)(vii) (Bankruptcy), | None; and |
| Section 5(b)(ii) (Credit Event Upon Merger), | None. |
- (b) **“Specified Transaction”** means, in lieu of the meaning specified in Section 12, any contract or transaction, including an agreement with respect thereto (whether or not documented under or effected pursuant to a master agreement) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such party or any applicable Specified

Entity of such party), provided that, such term shall include only those transactions pursuant to which the Counterparty's obligations are payable in whole or in part from Pledged Revenues.

- (c) The "**Cross Default**" provisions of Section 5(a)(vi) of this Agreement will apply to the Counterparty and the Provider provided that:

(i) With respect to any Specified Indebtedness that is not capable of being declared due and payable as a result of the occurrence or existence of a default, event of default or other similar condition or event (however described) under the agreement or instrument relating to such Specified Indebtedness, the words "which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable" shall be deleted from clause (1) of such Section 5(a)(vi) and the words "and the bondholders or trustee are permitted to exercise any remedies under the agreements and instruments" shall be added in its place; and

(ii) The following language shall be added to the end thereof: "*provided, however, that, notwithstanding the foregoing, an Event of Default shall not occur under either (1) or (2) above if (A) (I) the default, or other similar event or condition referred to in (1) or the failure to pay referred to in (2) is a failure to pay or deliver caused by an error or omission of an administrative or operational nature, and (II) funds or the asset to be delivered were available to such party to enable it to make the relevant payment or delivery when due and (III) such payment or delivery is made within three (3) Local Business Days following receipt of written notice from an interested party of such failure to pay, or (B) such party was precluded from paying, or was unable to pay, using reasonable means, through the office of the party through which it was acting for purposes of the relevant Specified Indebtedness, by reason of force majeure, act of State, illegality or impossibility.*"

- (d) "**Specified Indebtedness**" has the meaning specified in Section 12, except that with respect to the Counterparty, such term shall include only those obligations payable in whole or in part from Pledged Revenues

- (e) "**Threshold Amount**" means: (i) with respect to the Provider, U.S. \$10,000,000; (ii) with respect to any Credit Support Provider of such party, 1% of its shareholders' equity (determined in accordance with generally accepted accounting principles); and (iii) with respect to the Counterparty, U.S. \$10,000,000 (or the equivalent in another currency, currency unit or combination thereof).

- (f) **Bankruptcy.** Clause (6) of Section 5(a)(vii) of this Agreement is hereby amended to read in its entirety as follows:

"(6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B) in the case of the Counterparty, any Credit Support Provider of the Counterparty or any applicable Specified Entity of such Counterparty,

(I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;”

- (g) **Merger Without Assumption.** Section 5(a)(viii) is hereby amended to read in its entirety as follows:

“(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or, in the case of the Counterparty, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, such party, or any Credit Support Provider of such party) and, at the time of such consolidation, amalgamation, merger, transfer, or succession:

(1) the resulting, surviving, transferee or successor entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Agreement.

- (h) **“Credit Event Upon Merger”** applies to the Provider and the Counterparty. Section 5(b)(ii) is hereby deleted in its entirety and replaced by the following:

“(ii) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to another entity (or, without limiting the foregoing, if X is the Counterparty, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, X, any Credit Support Provider of X, or any applicable Specified Entity of X), and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of X or the resulting, surviving, transferee, or successor entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or”

- (i) The **“Automatic Early Termination”** provisions of Section 6(a) will apply to the Provider and will not apply to the Counterparty; *provided*, where an Event of Default under Section 5(a)(vii) with respect to the Provider arises solely by reason of an event or

condition that is directly attributable to its Credit Support Provider, then the Automatic Early Termination provisions of Section 6(a) will not apply to the Provider; and *provided further*, with respect to the Counterparty, where the Event of Default is specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8), and is governed by a system of law which does not permit termination to take place upon or after the occurrence of the relevant Event of Default in accordance with the terms of this Agreement, then the Automatic Early Termination provisions of Section 6(a) will apply to the Counterparty or (to the extent the preceding *proviso* is applicable) to the Provider, as the case may be.

- (j) For purposes of Section 6(e): Market Quotation and the Second Method will apply, modified as provided in Part 5 below.
- (k) **Additional Termination Event** will apply. Each of the following shall constitute an Additional Termination Event:

- (i) **Counterparty Credit Event.** The occurrence at any time of a Counterparty Credit Event (as hereinafter defined) shall be an Additional Termination Event with respect to the Counterparty. As used herein, "Counterparty Credit Event" shall mean that the long-term, public, unenhanced Bonds of the Counterparty shall cease to be rated at least "Baa3" by Moody's Investors Service, Inc. ("Moody's") or "BBB-" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), or such Bonds cease to be rated by Moody's or S&P or either of such ratings is withdrawn or suspended. Upon the occurrence of a Counterparty Credit Event, the Counterparty shall be deemed to be the sole Affected Party and all Transactions shall be deemed to be Affected Transactions.

- (ii) **CSP Credit Event.** The occurrence at any time of a CSP Credit Event (as hereinafter defined) shall be an Additional Termination Event with respect to the Provider. As used herein, "CSP Credit Event" shall mean that, with respect to the CSP, the long-term, unsecured, unenhanced and unsubordinated indebtedness of the CSP shall cease to be rated at least "Baa3" by Moody's or "BBB-" by S&P, or such indebtedness ceases to be rated by Moody's or S&P or either of such ratings is withdrawn or suspended. Upon the occurrence of a CSP Credit Event, the Provider shall be deemed to be the sole Affected Party and all Transactions shall be deemed to be Affected Transactions.

- (iii) **Incipient Illegality.** The occurrence at any time of an Incipient Illegality (as defined herein) shall be an Additional Termination Event with respect to the Counterparty. Upon the occurrence of an Incipient Illegality, the Counterparty shall be deemed to be the sole Affected Party and all Transactions shall be deemed to be Affected Transactions.

- (iv) **Covered Agreement Amendment Event.** The occurrence at any time of Covered Agreement Amendment Event (as hereinafter defined) shall be an Additional Termination Event with respect to the Counterparty. As used herein, "Covered Agreement Amendment Event" shall occur when the Counterparty amends, repeals, or

otherwise modifies the Covered Agreement without the prior written consent of the Provider, and in the reasonable judgment of the Provider, as a result of such amendment, repeal or other modification, the ability of the Counterparty to comply with and perform its obligations under this Agreement or in respect of any Transaction hereunder shall be materially adversely affected. Upon the occurrence of a Covered Agreement Amendment Event, the Counterparty shall be deemed to be the sole Affected Party and all Transactions shall be deemed to be Affected Transactions.

(v) **Counterparty Default Under Credit Support Annex.** The occurrence at any time of a Counterparty Default Under Credit Support Annex Event (as hereinafter defined) shall be an Additional Termination Event with respect to the Counterparty. As used herein, "Counterparty Default Under Credit Support Annex Event" shall mean the occurrence at any time of an Event of Default under the Credit Support Annex where the Counterparty is the Defaulting Party. Upon the occurrence of a Counterparty Default Under Credit Support Annex Event, the Counterparty shall be deemed to be the sole Affected Party and all Transactions shall be deemed to be Affected Transactions.

- (l) **Additional Event of Default.** Section 5(a) of the Agreement is hereby amended to include the following additional Events of Default with respect to the Counterparty, which shall be added as subparagraphs (ix) and (x) of such Section 5(a):

"(ix) **Authority; Repudiation.** The Counterparty shall cease to have authority to make payments under this Agreement or any Transaction subject to this Agreement, or any legislative body having jurisdiction over the Counterparty shall adopt any legislation which would have the effect of repudiating this Agreement or any Transaction subject to this Agreement.

(x) **Default under Reimbursement Agreement.** The occurrence and continuance of any event that constitutes an Event of Default with respect to the Counterparty under Section 6.01 (subject to any applicable right to cure such Events of Default as set forth therein) of the Reimbursement Agreement, dated as of August 1, 2008, between the Counterparty and Dexia Credit Local, relating to the Bonds, and any default provisions of any replacement or substitute reimbursement agreement (the "Reimbursement Agreement").

Part 2

AGREEMENT TO DELIVER DOCUMENTS

For the purpose of Section 4(a), each party agrees to deliver the following documents, with each document to be delivered to the Provider also to be delivered to any Credit Support Provider of such party.

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
the Counterparty	Either (1) a signature booklet	Upon or prior to the	Yes

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
	containing secretary's certificate and resolutions ("authorizing resolutions") authorizing the Counterparty to enter into derivatives transactions of the type contemplated by the parties or (2) a secretary's certificate, authorizing resolutions and incumbency certificate, in either case, for the Counterparty reasonably satisfactory in form and substance to the Provider and any Credit Support Provider of the Provider	execution and delivery of this Agreement and, with respect to any Confirmation upon request by the Provider.	
the Provider	Evidence of the authority, incumbency and specimen signature of each person executing this Agreement or any Confirmation, Credit Support Document or other document entered into in connection with this Agreement on its behalf or on behalf of a Credit Support Provider or otherwise, as the case may be	Upon or prior to the execution and delivery of this Agreement and, with respect to any Confirmation upon request by the other party.	Yes
the Counterparty	A written opinion of legal counsel to the Counterparty and its Credit Support Provider, if any, addressed to the Provider, reasonably satisfactory in form and substance to the Provider and its Credit Support Provider.	Upon execution of this Agreement and upon the execution of each Confirmation	No
the Provider	A written opinion of legal counsel to the Provider and its Credit Support Provider addressed to the Counterparty,	Upon execution of this Agreement and upon the execution of each Confirmation	No

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
	reasonably satisfactory in form and substance to the Counterparty.		
the Provider and the Counterparty	A duly executed copy of the Credit Support Documents specified in Part 3 of this Schedule	Upon the execution of this Agreement	No
the Provider and Counterparty	The Provider shall deliver a copy of the annual report of the CSP and the Counterparty shall deliver a copy of its own annual report. Such reports shall contain audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles	As soon as practicable after the execution of this Agreement and also within 120 days (or as soon as practicable after becoming publicly available) after the end of each of its fiscal years while there are any obligations outstanding under this Agreement	Yes
Counterparty	Certified copies of all resolutions adopted or other actions taken by Counterparty to authorize the execution, delivery and performance of this Agreement, along with such other documents, certificates, or other information with respect to such authorization as Provider may reasonably request, and in connection with any Transaction, any supplements to such authorization or additional authorization relating to such Transaction	Upon execution and delivery of this Agreement and, upon request of Provider, prior to the execution and delivery of any Confirmation	Yes
Counterparty	All documents evidencing the necessary authorizations,	On the Effective Date of any Bond-Related	Yes

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
	determinations and approvals for the offering, sale and issuance of the Bonds	Transaction	
Counterparty	A reliance letter from Bond Counsel permitting the Provider and the CSP to rely on the opinion of Bond Counsel with respect to the Covered Agreement [unless included in other opinions]	On the Effective Date of any relevant Bond-Related Transaction	No
Counterparty	Covered Agreement and all other documents relating to the Incorporated Provisions	Upon execution of the Confirmation for the relevant Bond-Related Transaction	Yes
Counterparty	The official statement or similar disclosure document or other information provided in connection with the issuance of Bonds	On the Effective Date of the relevant Bond-Related Transaction and, otherwise, as soon as practicable but in any event not later than thirty (30) days after initial delivery or publication thereof	No
Counterparty	Evidence that proceedings authorizing this Agreement and each Transaction, to the extent required by law, have been approved by the Attorney General and registered by the Comptroller of Public Accounts of Texas	At execution of this Agreement and any Transaction hereunder	No

Part 3

MISCELLANEOUS

- (a) **Address for Notices.** For the purpose of Section 10(a):

Address for notice or communications to the Counterparty (with a mandatory copy to the CSP at the address for notices set forth below):

City of Austin, Texas
P.O. Box 2106
Austin, Texas 78768
Attention: City Treasurer
Facsimile: (512) 370-3838

Address for notice or communications to the Provider (with a mandatory copy to the CSP at the address for notices set forth below):

Morgan Keegan Financial Products, Inc.
50 North Front Street, 16th Floor
Memphis, TN 38103
Attention: Swap Desk
Facsimile: (901) 579-4363

Address for notice or communications to the CSP:

Deutsche Bank AG, New York Branch
60 Wall Street
New York, NY 10005
Attention: Patrick Marsh
Facsimile: (212) 797-2210 or (212) 797-2218
Email: Patrick Marsh@db.com

No notice or communication required or permitted to be delivered under this Agreement shall be deemed effective unless and until it is also deemed effective with respect to the CSP.

- (b) **Calculation Agent.** The Calculation Agent is the Provider.
- (c) **Credit Support Document.** Details of any Credit Support Document:

Credit Support Document means in relation to the Counterparty: the Covered Agreement.

Credit Support Document means in relation to the Provider: the Replacement Transaction Agreement and the Credit Support Annex relating thereto.

(d) **Credit Support Provider.**

Credit Support Provider means in relation to the Counterparty: Not applicable.

Credit Support Provider means in relation to the Provider: the CSP.

(e) **Governing Law.** THIS AGREEMENT SHALL BE CONSTRUED, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

(f) **Submission to Jurisdiction.** Section 11(b) of this Agreement is hereby deleted in its entirety and replaced with the following: “[Intentionally Omitted]”.

(g) **Waiver of Jury Trial.** EACH OF THE PROVIDER AND THE COUNTERPARTY, TO THE FULLEST EXTENT PERMITTED BY THE TEXAS CONSTITUTION AND APPLICABLE LAW, WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ENFORCING OR DEFENDING ANY RIGHTS UNDER THIS AGREEMENT OR RELATING THERETO. EACH OF THE PROVIDER AND THE COUNTERPARTY ACKNOWLEDGES THAT THE PROVISIONS OF THIS SECTION HAVE BEEN BARGAINED FOR AND THAT IT HAS BEEN REPRESENTED BY COUNSEL IN CONNECTION THEREWITH. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT OR THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH OF THE PROVIDER, AND THE COUNTERPARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH OF THE PROVIDER AND THE COUNTERPARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY IS WAIVING ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY A COURT (RATHER THAN BY A JURY) UNDER THIS AGREEMENT.

(h) **Netting of Payments.** Subparagraph (ii) of Section 2(c) will apply.

Part 4

OTHER PROVISIONS

- (a) **Accuracy of Specified Information.** Section 3(d) is hereby amended by adding in the third line thereof after the word “respect” and before the period, the phrase “or, in the case of audited or unaudited financial statements, a fair presentation of the financial condition of the relevant person.”

- (b) **Deferral of Payments and Deliveries in Connection with Default, Illegality and Incipient Illegality; Interest on Deferred Payments.** Section 2(a)(iii) is hereby amended to read in its entirety as follows:

(iii) Each obligation of each party (or any Credit Support Provider of such party) under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default, Illegality, Potential Event of Default or Incipient Illegality with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

- (c) **Representations.**

(i) The introductory clause of Section 3 is hereby amended to read in its entirety as follows.

“Each party represents to the other party (all of which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(a), at all times until the termination of this Agreement) that:”

(ii) Section 3(a)(ii) is hereby amended to read in its entirety as follows:

“(ii) **Powers.** It has the power (in the case of the Counterparty, pursuant to its Authorizing Law) to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party, and has taken all necessary action and made all necessary determinations and findings to authorize such execution, delivery and performance;”

(iii) Section 3(b) is hereby amended to read in its entirety as follows.

“(b) **Absence of Certain Events.** No Event of Default, Potential Event of Default, Incipient Illegality (in the case of the Counterparty) or Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its

obligations under this Agreement or any Credit Support Document to which it is a party.”

(iv) For purposes of Section 3, the following shall be added, immediately following paragraph (d) thereof:

“[(e) **Eligible Contract Participant.** It is an “eligible contract participant” as defined in Section 1a(12) of the Commodity Exchange Act (7 U.S.C. 1a), as amended by the Commodity Futures Modernization Act of 2000.]

(f) **Negotiations.** This Agreement has been subject to individual negotiation by it.

(g) **No Agency.** It is entering into this Agreement, any Credit Support Document to which it is a party, each Transaction and any other documentation relating to this Agreement or any Transaction as principal (and not as agent or in any other capacity, fiduciary or otherwise).

(i) **No Immunity.** Pursuant to Section 1371.059(c) of the Texas Government Code, the Counterparty is authorized to, and does hereby, waive immunity on the grounds of sovereignty or any other similar grounds from suit or remedies at law or in equity for enforcement of this Agreement.

(j) **Termination Payments.** It acknowledges that, pursuant to the terms of this Agreement (including, without limitation, Section 6(e)), it may owe a payment to the other party upon the designation of an Early Termination Date, even in the event such Early Termination Date is the result of an Event of Default or Termination Event (including Additional Termination Events) with respect to such other party.”

(d) **Additional Representations of the Counterparty.** The Counterparty hereby further represents to the Provider (which representations will be deemed to be repeated by the Counterparty at all times until the termination of this Agreement) that:

(i) **No Speculation.** This Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into for the purposes of managing its borrowings or investments and not for purposes of speculation.

(ii) **Perfection of Pledge.** The Counterparty has taken all steps necessary or advisable and has the authority to create and perfect the pledge and security interest required to be created pursuant to Part 4(e) of this Schedule and such pledge and security interest have been validly created and perfected.

(iii) **Necessary Approvals.** Any Transaction entered into pursuant to this Agreement together with any Transactions that the Counterparty has or may enter into with the Provider and/or with any or all other parties does not and will not violate or

exceed any limits or restrictions contained in any authorizations, approvals or resolutions of the Counterparty.

(iv) ***Governmental Purpose.*** The execution and delivery by the Counterparty of this Agreement, each Confirmation and any other documentation relating hereto, and the performance by the Counterparty of its obligations hereunder and thereunder, are in furtherance, and not in violation, of the governmental purposes for which the Counterparty is organized pursuant to the laws of the relevant state.

(v) ***No Prohibited Investment.*** This Agreement and each Transaction hereunder do not constitute any kind of investment by the Counterparty that is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which the Counterparty (or any of its officials in their respective capacities as such) or its property is subject.

(vi) ***Legal Debt Limitations.*** The obligations of the Counterparty to make payments to the Provider under this Agreement and each Transaction (a) are not subject to appropriation or similar action and (b) do not (1) constitute any kind of indebtedness of the Counterparty or (2) create any kind of lien on or security interest in any property or revenues of the Counterparty which, in either case (1) or (2), is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which the Counterparty (or any of its officials in their respective capacities as such) or its property is subject.

(vii) ***Governmental Body.*** The Counterparty is a state or political subdivision thereof, or an instrumentality, agency or department of either of the foregoing.

(viii) ***Nature of Obligations.*** The obligations of the Counterparty to make payments to the Provider under this Agreement and each Transaction (a) are not subject to appropriation or similar action and (b) do not (1) constitute any kind of indebtedness of the Counterparty or (2) create any kind of lien on or security interest in any property or revenues of the Counterparty which, in either case (1) or (2), is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which Party B (or any of its officials in their respective capacities as such) or its property is subject.

(e) ***Source of Payments.*** The Counterparty agrees that its obligations hereunder are, and until the termination of this Agreement pursuant to the terms hereof shall remain (i) with respect to scheduled swap payments, payable solely from and secured by a lien on and pledge of Pledged Revenues in the manner and to the extent provided in Parts 3.10 and 5.01 of the Covered Agreement; and (ii) with respect to all other payments, payable and secured by a lien on the Pledged Revenues that is junior and subordinate to the lien on Pledged Revenues that secures the Parity Obligations. Payments of scheduled swap payments by the Counterparty shall be made in the manner and to the extent provided in

Section 3.10 of the Covered Agreement. The Counterparty agrees that until all obligations under this agreement have been satisfied, no money shall be released from the Covered Agreement except to make payments specifically secured and provided for by the Covered Agreement.

- (f) **Compliance with Covered Agreement.** The Counterparty will observe, perform and fulfill each covenant, term, and provision in the relevant Covered Agreement applicable to the Counterparty, as any of those covenants, terms, and provisions may be amended, supplemented or modified for the purposes of this Agreement with the prior written consent of the Provider, which consent shall not be unreasonably withheld, (the “Incorporated Provisions”), with the effect, among other things, and without limiting the generality of the foregoing, that the Provider will have the benefit of each of the Incorporated Provisions (including without limitation, covenants, right to consent to certain actions subject to consent under the relevant Covered Agreement and delivery of financial statements and other notices and information) In the event the relevant Covered Agreement ceases to be in effect for any reason, including, without limitation, defeasance of the Bonds issued in connection with such Covered Agreement, prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued in connection with the relevant Covered Agreement) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of the Counterparty under this Agreement and any obligations of the Counterparty have been fully satisfied. The Incorporated Provisions are hereby incorporated by reference and made a part of this Agreement to the same extent as if such provisions were set forth herein. For purposes of this Agreement, the Incorporated Provisions shall be construed as though (i) all references therein to any party making loans, extensions of credit or financial accommodations thereunder or commitments therefor (the “Financings”) were to the Provider and (ii) to the extent that such Incorporated Provisions are conditioned on or related to the existence of such Financings or the Counterparty having any obligations in connection therewith, all references to such Financings or obligations were to the obligations of the Counterparty under this Agreement. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions effected without the prior written consent of the Provider, which consent shall not be unreasonably withheld, shall be void *ab initio* and have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.
- (g) **Additional Definitions.** As used in this Schedule, the following terms shall have the following meanings:
- (i) “**Authorizing Law**” means Chapter 1371 of the Texas Government Code, as amended from time to time.
- (ii) “**Bond-Related Transaction**” means a Transaction entered into by or on behalf of the Counterparty in connection with the issuance of Bonds by the Counterparty,

and which is identified as such in the related Confirmation or to which the Confirmation is understood to relate.

(iii) “**Bonds**” means any bonds, notes, certificates or other indebtedness or securities identified in a Confirmation or to which the Confirmation is understood to relate.

(iv) “**Bond Counsel**” means the party so identified in a Confirmation for a Bond-Related Transaction.

(v) “**Covered Agreement**” means the Ordinance No. [] of the City Council of the Counterparty adopted on August 24, 2008, authorizing the issuance of the Related Bonds and the Credit Agreement

(vi) “**Credit Agreement**” means the Reimbursement Agreement and any amendments or supplements thereto, together with any letter of credit, reimbursement, insurance policy or similar agreement between the Counterparty and any other provider of credit enhancement associated with Counterparty’s Bonds, and any amendments and supplements thereto; provided, however, that any such instrument or agreement shall require the prior written consent of the Provider and its CSP, which consent shall not be unreasonably withheld, in order to constitute a “Credit Agreement” if it would materially adversely affect the rights and benefits of the Provider and the CSP hereunder and under the Covered Agreement.

(vii) “**Credit Support Annex**” means the Credit Support Annex to the Schedule to the ISDA Master Agreement deemed entered into and binding pursuant to the Replacement Transaction Agreement, dated as of August [], 2008.

(viii) “**CSP**” means Deutsche Bank AG, New York Branch.

(ix) “**Incipient Illegality**” means (a) the enactment by any legislative body with competent jurisdiction over the Counterparty of legislation which, if adopted as law, would render unlawful (i) the performance by the Counterparty of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by the Counterparty with any other material provision of this Agreement relating to such Transaction or (ii) the performance by the Counterparty or a Credit Support Provider of the Counterparty of any contingent or other obligation which the Counterparty (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction, (b) any assertion by the Counterparty in any proceeding, forum or action, in respect of the Counterparty or in respect of any entity located or organized under the laws of the state in which the Counterparty is located to the effect that performance under this Agreement or similar agreements is unlawful or (c) the occurrence with respect to the Counterparty or any Specified Entity of the Counterparty of any event that constitutes an Illegality.

(x) “**Pledged Revenues**” has the meaning specified in the Covered Agreement.

(xi) **“Related Bonds”** means the City of Austin, Texas, Hotel Occupancy Tax Subordinated Lien Variable Rate Revenue Refunding Bonds, Series 2008, to be issued in accordance with the Covered Agreement.”

(xii) **“Replacement Transaction Agreement”** means the Replacement Transaction Agreement dated as of the date hereof between the CSP, the Counterparty and the Provider.

(h) **Notice of Incipient Illegality.** If an Incipient Illegality occurs, the Counterparty will, promptly upon becoming aware of it, notify the Provider and the CSP, specifying the nature of that Incipient Illegality and will also give such other information about that Incipient Illegality as the Provider or the CSP may reasonably require.

(i) **Confirmations.**

(i) The Provider will deliver to the Counterparty a Confirmation relating to each Transaction.

(ii) Each of the Provider and the Counterparty, agrees that no Transaction shall be subject to this Agreement unless and until the CSP has consented in writing to become a Credit Support Provider of the Provider with respect thereto and such Transaction is expressly subject to the Replacement Transaction Agreement.

(j) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which the parties enter into a Transaction that (absent a written agreement between the parties and, if applicable, any Credit Support Provider of any party that expressly imposes affirmative obligations to the contrary for that Transaction):

(i) **Non-Reliance.** Each of the parties is acting for its own account, and each of them has made its own independent decisions to enter into or approve, as applicable, that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party or any Credit Support Provider of such party, as applicable, as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party or any Credit Support Provider of such party, as applicable, shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(ii) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions, pricing and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(iii) **Status of Parties.** The other party and any Credit Support Provider of such party, as applicable, are not acting as a fiduciary for or an adviser to it in respect of that Transaction.

(iv) **CSP.** Counterparty hereby represents that the Counterparty has engaged in no discussions or negotiations with the CSP in connection with this Agreement.

(k) **Bankruptcy Code.** It is the express intention of the Provider, the Counterparty and each Credit Support Provider of any party that (i) this Agreement and all Transactions hereunder, the Replacement Transaction Agreement (including, without limitation, the option granted therein) and any Credit Support Annex that may be entered into between the Counterparty and the CSP shall collectively constitute a single agreement, (ii) the foregoing, together with a Replacement Master Agreement and Replacement Transactions thereunder (as such terms are defined in the Replacement Transaction Agreement) shall each constitute a “swap agreement” as defined in section 101(53B) of Title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the “Bankruptcy Code”), and (iii) each of the parties constitutes a “swap participant” under section 101(53C) of the Bankruptcy Code, in each case subject to and entitled to the exemptions and protections afforded by, among other things, sections 362(b)(17), 362(o), 546(g), 548(d) and 560 of the Bankruptcy Code.

(l) **Replacement Transaction Agreement.** Notwithstanding anything contained herein to the contrary, the CSP shall have no obligations under this Agreement (other than in accordance with Part 4(m) below, if applicable) and shall only have such obligations as are expressly provided for in the Replacement Transaction Agreement and the Credit Support Annex to the Schedule to the Replacement Transaction Agreement. The parties hereto agree that the CSP shall be an express third party beneficiary of this Agreement, including but not limited to all of the representations, covenants, agreements and other obligations of the parties to this Agreement. In addition, notwithstanding anything contained herein to the contrary, the parties hereby agree that in the event the CSP is replaced as the “Credit Support Provider” by a Substitute CSP (as defined in the Replacement Transaction Agreement) under the Replacement Transaction Agreement in accordance with the terms thereof, then the Substitute CSP shall be deemed to be the Credit Support Provider hereunder and all references herein to the CSP shall be deemed to be references to such Substitute CSP.

(m) **Optional Assignment.**

(i) Notwithstanding Section 7 of this Agreement, the Provider, and the Counterparty each hereby acknowledges and agrees that (A) provided that the Provider is not a Defaulting Party or the sole Affected Party, the Provider shall have at any time, including, but not limited to, following the occurrence of an Event of Default where the Counterparty is the Defaulting Party or a Termination Event where the Counterparty is the Affected Party, the right to transfer and assign all of the Provider’s rights, interests and obligations in, to and under this Agreement and all Transactions hereunder to the CSP by written notice to the Counterparty and the CSP specifying the effective date (such effective date, the “Assignment Date”) of such transfer and assignment (and such transfer

and assignment shall automatically occur as of the Assignment Date without the need for further action by any party), and (B) the CSP shall have the right, at any time and for any reason in its sole discretion, to request that the Provider transfer and assign all of the Provider's rights, interests and obligations in, to and under this Agreement and all Transactions hereunder to the CSP by written notice to the Counterparty and the Provider specifying the Assignment Date of such transfer and assignment (and such transfer and assignment shall automatically occur as of the Assignment Date without the need for further action by any party).

(ii) On the Assignment Date of any transfer and assignment specified in accordance with Part 4(m)(i) above,

(A) the Provider shall be deemed to have transferred and assigned all of its rights, interests and obligations in, to and under this Agreement and all Transactions hereunder to the CSP;

(B) the CSP shall have all the rights that the Provider would have under this Agreement and all Transactions hereunder;

(C) the CSP shall be obligated to perform all existing and unperformed obligations of the Provider under this Agreement and all Transactions hereunder, including those obligations arising before the Assignment Date but not yet performed;

(D) the Counterparty shall remain obligated to perform all of its existing and unperformed obligations under this Agreement and all Transactions hereunder, including those obligations arising before the Assignment Date but not yet performed;

(E) the Provider and the Counterparty shall be released and discharged from all obligations to each other with respect to this Agreement and all Transactions hereunder, and their respective rights and obligations hereunder and thereunder shall be cancelled with no payments owed by either party to the other;

(F) on and after the Assignment Date, the provisions set forth in Exhibit B to the Replacement Transaction Agreement shall be applicable to this Agreement and all Transactions hereunder as if set forth herein;

(G) any Credit Support Annex between the Counterparty and the CSP relating to the Replacement Transaction Agreement shall instead automatically relate to this Agreement and all Transactions hereunder without the need for further action by any party thereto; and

(H) the Replacement Transaction Agreement shall simultaneously automatically terminate without the need for further action by any party thereto.

The Counterparty, the Provider and the CSP hereby agree to execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered

such further instruments and take such further action as may be reasonably necessary to effectuate the intention, performance and provisions of this Part 4(m).

- (n) **Consent to Recording.** Each party consents to the recording (with or without the use of a warning tone) of telephone conversations between the trading, marketing and other relevant personnel of the parties and their Affiliates in connection with this Agreement or any potential Transaction.
- (o) **Negative Pledge.** The Counterparty shall not pledge or grant a security interest in any of its revenues or other assets to secure its obligations under any interest rate swap or other derivative transaction without the Provider's prior written consent unless a parity pledge or security interest is granted to the Provider to secure the Counterparty's corresponding obligations under this Agreement.
- (p) **Transfer.** Section 7 of the Agreement is hereby modified by inserting the following after the word "party" but before the comma in the third line thereof:

“, provided, however, that such consent shall not be unreasonably withheld, and, provided, further, that, (i) no Potential Event of Default, Event of Default or Termination Event shall have occurred and be continuing with respect to the Counterparty, (ii) the transferee is organized under the laws of a jurisdiction and is a type of entity for which ISDA has distributed an opinion affirming the enforceability of Section 6 of the Master Agreement under the laws of such jurisdiction or the Counterparty shall have furnished to the Provider and the CSP such an opinion in form and substance and from counsel satisfactory to the Provider and the CSP and (iii) the Swap Transaction between the Provider and such transferee complies with the laws, rules and regulations applicable to the Provider and satisfies the internal policies, limits and procedures of the Provider in effect at the time of such transfer, including, without limitation, such policies, limits and procedures involving business relationship, credit, legal, accounting, tax and general prudential concerns.”

- (q) **Notices.** For the purposes of subsections (iii) and (v) of Section 10(a), the date of receipt shall be presumed to be the date sent if sent on a Local Business Day or, if not sent on a Local Business Day, the date of receipt shall be presumed to be the first Local Business Day following the date sent.

Part 5

CREDIT SUPPORT PROVISIONS

- (a) In the event that a Settlement Amount would be payable by the Provider to the Counterparty, the Counterparty agrees that (A) the termination of this Agreement concurrently with the entry by the CSP into a Replacement Transaction (as defined in Paragraph 2 of the Replacement Transaction Agreement) with the Counterparty in accordance with Paragraph 2 of the Replacement Transaction Agreement, (B) the

agreement by the Provider to pay such Settlement Amount to the CSP in consideration of the CSP entering into such Replacement Transaction (and the Provider hereby agrees to pay such Settlement Amount); *provided*, that the Replacement Transaction shall be effective irrespective of the nonpayment of such Settlement Amount by the Provider to the CSP, and (C) the payment by the CSP to the Counterparty of any net Unpaid Amounts owing to the Counterparty (which the CSP agrees to pay pursuant to the Replacement Transaction Agreement), shall constitute full satisfaction of any payment otherwise owing from the Provider to the Counterparty pursuant to Section 6(e), and that the Provider shall be fully discharged from any and all obligations under Section 6(e). In the event that any net Unpaid Amounts would be owing by the Counterparty to the Provider (such that clause (C) of the preceding sentence would not be applicable), the Provider hereby assigns to the CSP, absolutely and not for purposes of security, all of the Provider's right to receive any such net Unpaid Amounts from the Counterparty, and the Provider agrees that only the CSP shall be entitled to receive any such net Unpaid Amounts from the Counterparty, and that the Provider shall have no recourse to the Counterparty with respect thereto.

- (b) In the event that a Settlement Amount would be payable by the Counterparty to the Provider, the Provider agrees that (i) the termination of this Agreement concurrently with the entry by the CSP into a Replacement Transaction with the Counterparty in accordance with Paragraph 2 of the Replacement Transaction Agreement, (ii) the agreement by the CSP to pay such Settlement Amount to the Counterparty in consideration of the Counterparty entering into such Replacement Transaction (which the CSP agrees to pay pursuant to the Replacement Transaction Agreement); *provided*, that the Replacement Transaction shall be effective irrespective of the nonpayment of such Settlement Amount by the CSP to the Provider, (iii) the absolute assignment by the Counterparty to the Provider of the Counterparty's right to receive such Settlement Amount from the CSP, and (iv) the payment by the CSP to the Counterparty of any net Unpaid Amounts owing to the Counterparty (which the CSP agrees to pay pursuant to the Replacement Transaction Agreement) shall constitute full satisfaction of any payment otherwise owing from the Counterparty to the Provider pursuant to Section 6(e), and that the Counterparty shall be fully discharged from any and all obligations under Section 6(e). In accordance with clause (iii) of the preceding sentence, the Counterparty hereby assigns to the Provider, absolutely and not for purposes of security, all of the Counterparty's right to receive any such Settlement Amount from the CSP pursuant to clause (ii) of the preceding sentence, and the Provider agrees that only the CSP shall be obligated to pay such Settlement Amount to the Provider, and that the Provider shall have no recourse to the Counterparty with respect thereto. In the event that any net Unpaid Amounts would be owing by the Counterparty to the Provider (such that clause (iv) of the first sentence of this Part 5(b) would not be applicable), the Provider hereby assigns to the CSP, absolutely and not for purposes of security, all of the Provider's right to receive any such net Unpaid Amounts from the Counterparty, and the Provider agrees that only the CSP shall be entitled to receive any such net Unpaid Amounts from the Counterparty, and that the Provider shall have no recourse to the Counterparty with respect thereto.
- (c) In the event that a Settlement Amount is to be determined, the parties agree that such Settlement Amount shall be determined by the CSP on behalf of, and for the benefit of,

the Non-defaulting Party or the party which is not the Affected Party (as applicable), and that such Settlement Amount shall be conclusive. For purposes of determining such Settlement Amount, the CSP shall not be obligated to obtain quotations from more than one Reference Market-maker, which Reference Market-maker may be the CSP. Notwithstanding the foregoing, if an Event of Default or Termination Event shall have occurred with respect to which the Provider is the Defaulting Party or an Affected Party, and such Event of Default or Termination Event arises solely by reason of an event or condition that is directly attributable to the CSP or the Credit Support Document, then the Counterparty, and not the CSP, shall determine such Settlement Amount.

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof

CITY OF AUSTIN, TEXAS

By: _____
Name:
Title:

MORGAN KEEGAN FINANCIAL
PRODUCTS, INC.

By: _____
Name:
Title.

Morgan Keegan Financial Products, Inc.

Date: August [], 2008

To: City of Austin
700 Lavaca, Suite 1510
Austin, TX 78701

Attention: Ms. Leslie Browder, CFO
Facsimile no.: 512-974-2573

Our Reference: [MK-]
Re: Swap Transaction

Ladies and Gentlemen:

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between Morgan Keegan Financial Products, Inc. ("MKFP") and City of Austin, Texas (the "Counterparty") on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Agreement specified below.

The definitions contained in the 2006 ISDA Definitions (the "Definitions") as published by the International Swaps and Derivatives Association, Inc. are incorporated by reference herein. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms part of, and is subject to, the certain ISDA Master Agreement dated as of August [], 2008 as the same may be amended or supplemented from time to time (the "Agreement"), between MKFP and the Counterparty. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

For the purpose of this Confirmation, all references in the Definitions or the Agreement to a "Swap Transaction" shall be deemed to be references to this Transaction.

1. The terms of the particular Transaction to which the Confirmation relates are as follow:

Notional Amount.	Initially USD [\$119,290,000], thereafter amortizing as set forth in Exhibit 1, which is attached hereto and incorporated by reference into this Confirmation
Trade Date.	[August [], 2008]
Effective Date:	[August 14, 2008]
Termination Date.	November 15, 2029

Fixed Amounts:

Fixed Rate Payer:	Counterparty
Fixed Rate Payer	

Morgan Keegan Financial Products, Inc.

Payment Dates: The fifteenth day of each month, commencing on [August 15, 2008], through and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention

Fixed Rate: [TBD%] per annum

Fixed Rate Day
Count Fraction: 30/360

Floating Amounts:

Floating Rate Payer: MKFP

Floating Rate Payer
Payment Dates: The fifteenth day of each month, commencing on [August 15, 2008], through and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention

Floating Rate Option (i) For all Calculation Periods from and including the Effective Date to and excluding the Calculation Period End Date for the period ending November 15, 2009, Floating Rate Option 1, and (ii) all subsequent Calculation Periods, Floating Rate Option 2

Floating Rate Option 1: USD-SIFMA Municipal Swap Index

Floating Rate Option 2 67% of USD-LIBOR-BBA, provided that the words “on the day that is two London Banking Days preceding the Reset Date” contained in the definitions of USD-LIBOR-BBA in Section 7.1 of the Definitions shall be replaced with “on the day that is one London Banking Day preceding that Reset Date.”

Floating Rate Option 2
Designated Maturity: 1 month

Floating Rate Option 2
Reset Date: November 15, 2009, and thereafter, each Calculation Period End Date

Floating Rate Option 2
Method of Averaging: Weighted

Floating Rate Spread: None

Floating Rate Day
Count Fraction: Actual/Actual

Compounding: Inapplicable

Morgan Keegan Financial Products, Inc.

Business Days:

New York and London

2. Additional Termination Provision:

A. Option to Terminate in Whole or in Part with Cash Settlement

In connection with this Transaction, Counterparty shall have the option to early terminate, cancel and cash settle this Transaction, in whole or in part, effective on any Business Day after the Trade Date (the "Optional Termination Date"). This option may be exercised by written, telex or facsimile notice delivered to MKFP no later than two (2) Business Days prior to the Optional Termination Date (the "Notification Date"), which notice shall only be effective upon actual receipt by MKFP and shall be irrevocable. Following any such early termination and cancellation and payment of the Cash Settlement Amount as calculated below, the parties shall be relieved of all further payment obligations hereunder except for (i) payment of all accrued but yet unpaid amounts calculated to but excluding the Optional Termination Date (unless otherwise included in the Cash Settlement Amount as calculated below) and (ii) payment of amounts under the remaining portion of this Transaction in the case of partial cancellation. If this Transaction is cancelled in part, all payment calculations following the Optional Termination Date will be based on the remaining portion of this Transaction after giving effect to such partial cancellation, as set forth in a partial termination Confirmation to be provided by MKFP.

Notwithstanding anything to the contrary contained herein, Counterparty will not exercise this option if, in connection with such exercise, a Cash Settlement Amount would be payable by Counterparty to MKFP unless Counterparty provides evidence reasonably satisfactory to MKFP that (i) such Cash Settlement Amount will be made by Counterparty on or before the second Business Day immediately following the Optional Termination Date, and (ii) such Cash Settlement Amount will not cause Counterparty to be in violation of, or in default of, any material obligation under any material agreement of Counterparty.

MKFP will determine a U.S. Dollar value for the terminated portion of this Transaction (the "Cash Settlement Amount") in accordance with Section 6(e)(1)(1) (Loss applies) of the Swap Agreement, where Counterparty is the sole Affected Party and this Transaction is the sole Affected Transaction. If such Cash Settlement Amount is not mutually acceptable to MKFP and Counterparty, MKFP shall determine a Cash Settlement Amount with respect to this Transaction in accordance with Section 6(e)(1)(1) (Market Quotation applies) of the Swap Agreement, where (A) Counterparty is the sole Affected Party and this Transaction is the sole Affected Transaction, (B) the Reference Market-makers providing quotations are acceptable to both MKFP and Counterparty, and (C) each Reference Market-maker certifies in writing that such Reference Market-maker is prepared to take an assignment of this Transaction based on their quotation.

B. Coordination with Related Bonds:

Counterparty agrees that, unless the Provider and the Credit Support Provider consent in writing, the Counterparty will not defease or redeem, or otherwise effect or participate in the prepayment of, Related Bonds unless it concurrently exercises its option to terminate, in whole or in part, this Transaction (and satisfies all requirements of such optional termination) in a manner such that the Notional Amount of this Transaction does not at any time exceed the principal amount of such Related Bonds that remain outstanding after giving effect to any such defeasance, redemption or other prepayment.

Morgan Keegan Financial Products, Inc.

C. Attorney General Approval.

Notwithstanding anything herein to the contrary, (a) no obligation on the part of Counterparty shall be created hereunder unless the proceedings with respect to the Swap Agreement and this Confirmation shall have been approved by the Attorney General of Texas and registered by the Comptroller of Public Accounts of the State of Texas and (b) the Floating Rate Option may not, in the aggregate exceed 15%.

3. Calculation Agent:

MKFP

4. Account Details:

MKFP Payment Instructions:

Account With:	Deutsche Bank Trust Company Americas
ABA#:	021001033
Payment Account Name	Morgan Keegan Payment
Payment Account Number:	01419647 for further credit to 46892

Account Details for Counterparty:

Account With:
ABA#:
A/C:
A/C#:
Attention
Phone:
Ref:

5. Representations:

Each party will be deemed to represent to the other party on the date on which it enters into this Transaction that (absent a written agreement between the parties and, if applicable, any Credit Support Provider of any party, that expressly imposes affirmative obligations to the contrary for this Transaction):

- (1) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into this Transaction and as to whether this Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party or any Credit Support Provider of such party, as applicable, as investment advice or as a recommendation to enter into this Transaction; it being understood that information and explanations related to the terms and conditions of this Transaction shall not be considered investment advice or a recommendation to enter into this Transaction. No communication (written or oral) received from the other party or any Credit Support Provider of such party, as applicable, shall be deemed to be an assurance or guarantee as to the expected results of this Transaction.

Morgan Keegan Financial Products, Inc.

- (ii) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of this Transaction. It is also capable of assuming, and assumes, the risks of this Transaction.
- (iii) **Status of Parties.** The other party, and any Credit Support Provider of such party, as applicable, are not acting as a fiduciary for, or an adviser to it in respect of this Transaction.

6. Related Bonds:

The Bonds to which this Transaction relates are City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008.

7. Provider Information:

Please confirm that the foregoing correctly sets forth the terms of our agreement by having an authorized officer sign this Confirmation and return it via facsimile to:

Attention: Swap Desk/Stephen Smalling
Telephone: (901) 579-4334
Facsimile: (901) 579-4363
E-mail: Stephen.smalling@morgankeegan.com

Morgan Keegan Financial Products, Inc.

This message will be the only form of Confirmation dispatched by us.

Sincerely,

Morgan Keegan Financial Products, Inc

By: _____
Name: _____
Title: Authorized Signatory

Confirmed as of the date first written above:

City of Austin, Texas

By: _____
Name: _____
Title: _____

Morgan Keegan Financial Products, Inc.

Exhibit 1

With respect to calculating a Fixed Amount and a Floating Amount for any Calculation Period falling within any of the periods set forth below, the Notional Amount shall be the amount set forth opposite the relevant period and underneath the caption Notional Amount, as follows

Subject to adjustment in accordance with the Following Business Day Convention

REPLACEMENT TRANSACTION AGREEMENT

THIS REPLACEMENT TRANSACTION AGREEMENT, entered into as of August [], 2008, between Morgan Keegan Financial Products, Inc. (the "Provider"), City of Austin, Texas (the "Counterparty") and Deutsche Bank AG, New York Branch (the "CSP"), as a "Credit Support Provider" of the Provider, for the benefit of the Counterparty, pursuant to the ISDA Master Agreement (1992 Local Currency — Single Jurisdiction), dated as of August [], 2008, between the Counterparty and the Provider (together with the Schedule thereto, the "Master Agreement"). This Replacement Transaction Agreement is a "Credit Support Document" specified in the Master Agreement. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Master Agreement. Any references herein to a Credit Support Annex, whether described as relating to this Replacement Transaction Agreement or otherwise, shall constitute references to the Credit Support Annex to the Schedule to the Replacement Master Agreement deemed entered into between the CSP and the Counterparty pursuant to this Replacement Transaction Agreement.

In consideration of the mutual representations, warranties and covenants contained in this Replacement Transaction Agreement, the Master Agreement and any transaction(s) that may be entered into from time to time between the Provider and the CSP related thereto, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Provider, the Counterparty and the CSP each hereby agrees, subject to the terms and conditions of this Replacement Transaction Agreement, as follows.

1. Representations and Warranties. Each party hereby represents and warrants to the other parties as follows

(a) Organization and Qualification. In the case of the Provider and the CSP, It is duly organized and validly existing under the laws of the jurisdiction of its incorporation or organization and, if relevant under such laws, is in good standing, in the case of the Counterparty, it is a duly organized municipal corporation and a political subdivision of the State of Texas, duly created, validly existing, and acting under the provisions of the Constitution and the laws of the State (including the Counterparty's home rule charter).

(b) Powers. It has the power to execute this Replacement Transaction Agreement and any other documentation relating to this Replacement Transaction Agreement that it is required by this Replacement Transaction Agreement to deliver and to perform its obligations under this Replacement Transaction Agreement and has taken all necessary action to authorize such execution, delivery and performance.

(c) No Violation or Conflict. The execution, delivery and performance of this Replacement Transaction Agreement does not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets.

(d) Consents. All governmental and other consents that are required to have been obtained by it with respect to this Replacement Transaction Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with.

(e) Obligations Binding. Its obligations under this Replacement Transaction Agreement constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(f) Disclosure of Roles. The Provider represents (and the Counterparty acknowledges) that the Provider and the CSP (and/or their affiliates) have entered into certain arrangements under which they each expect to earn a profit in connection with the Master Agreement and this Replacement Transaction Agreement.

(g) Liability. The Counterparty hereby acknowledges that neither the CSP nor any of its affiliates shall be liable for any action of the Provider in connection with, or relating to, any Transaction under the Master Agreement or this Replacement Transaction Agreement, except as otherwise provided in the Master Agreement or this Replacement Transaction Agreement.

(h) Limited Involvement by the CSP. Each party acknowledges that the CSP has entered into this Replacement Transaction Agreement on an arm's-length basis, and has not provided (and is not responsible for) any other document, information or advice that either party may rely upon in making its decision to enter into this Replacement Transaction Agreement, the Master Agreement or any Transaction hereunder or thereunder.

2. Replacement Master Agreement.

(a) The CSP and the Counterparty agree to be bound by, and shall be deemed to have entered into, an ISDA Master Agreement (1992 Local Currency — Single Jurisdiction), dated as of the date hereof, between the Counterparty and the CSP (together with the Schedule thereto, the "Replacement Master Agreement"), having terms identical to those of the Master Agreement; *provided, however*, that (i) references in the Master Agreement to the "Provider" shall be deemed to be references to the "CSP," (ii) the Master Agreement shall be modified as set forth in Exhibit B to this Replacement Transaction Agreement and (iii) notwithstanding anything contained in the Master Agreement or the Replacement Master Agreement to the contrary, neither the CSP nor the Counterparty shall have any obligation to deliver documents under the Replacement Master Agreement (except under any Credit Support Annex) unless and until a Replacement Transaction (as defined below) is entered into as described below. With respect to each Transaction under the Master Agreement, the CSP hereby grants to the Counterparty an irrevocable option under the Replacement Master Agreement to cause the CSP to enter into an identical Transaction under the Replacement Master Agreement (a "Replacement Transaction") upon the terms and conditions set forth in this Paragraph 2(a). Conditioned solely upon the occurrence of an Early Termination Date with respect to the Master Agreement and any or all Transactions thereunder, subject, if applicable, to the provisions of Paragraph 3(b) hereof, (i) the

Counterparty shall be entitled to exercise such option, and shall be deemed to have exercised such option, automatically without the need for further action by any party hereto, and (ii) upon exercise of such option by the Counterparty, each of the CSP and the Counterparty agrees to enter into and become bound by, and shall be deemed to have entered into and become bound by, automatically without the need for further action by any party hereto, Replacement Transactions under the Replacement Master Agreement, such that the Counterparty and the CSP each undertake liabilities and obligations towards the other and acquire rights against each other identical in their terms to all such Transactions under the Master Agreement (other than any rights, liabilities or obligations of the "Counterparty" or the "Provider" with respect to payments or other obligations due and payable or due to be performed on or prior to such Early Termination Date, except as expressly provided in Paragraph 4 hereof)

(b) Without limiting the foregoing, if the designation of an Early Termination Date with respect to the Master Agreement and all Transactions thereunder with respect to which the Provider is the Defaulting Party or Affected Party arises solely by reason of a "CSP-Triggered Event" (as defined below), then all Replacement Transactions under the Replacement Master Agreement shall also terminate and shall be deemed to have terminated, automatically without the need for further action by any party thereto, immediately upon becoming effective on such Early Termination Date, the CSP shall be deemed to be the sole Affected Party, and all Transactions shall be deemed to be Affected Transactions.

A "CSP-Triggered Event" means an Event of Default or Termination Event with respect to which the Provider is the Defaulting Party or an Affected Party under the Master Agreement where such Event of Default or Termination Event arises solely by reason of an event or condition that is directly attributable to the CSP (as the "Credit Support Provider" for the Provider) or the CSP's obligation to perform pursuant to the terms of this Replacement Transaction Agreement (as the "Credit Support Document" for the Provider).

(c) Upon any transfer and assignment from the Provider to the CSP of the Master Agreement and all Transactions thereunder pursuant to Part 4(m)(i) of the Schedule to the Master Agreement, this Replacement Transaction Agreement shall simultaneously terminate without the need for further action by any party hereto, and no payments shall be owed by either party to the Replacement Master Agreement to the other party thereto in connection with such termination.

(d) Unless and until a Replacement Transaction is deemed to have been entered into pursuant to Paragraph 2(a) hereof, the CSP and the Counterparty each agree not to exercise any right to designate an Early Termination Date under the Replacement Master Agreement.

3. Substitute CSP

(a) Each of the Counterparty and the CSP agrees that, so long as an Event of Default or Termination Event shall not have occurred under the Master Agreement or any Transaction thereunder with respect to which the Provider is the Defaulting Party or an Affected Party except as hereinafter provided in Paragraph 3(b), the Provider shall have the right, at any time and for any reason, to substitute a different "Credit Support Provider" in lieu of the CSP by

requiring that the CSP assign its rights under this Replacement Transaction Agreement (and under any Credit Support Annex related hereto) (i) without the consent of any party, to another entity, having a long-term, senior, unsecured, unenhanced debt rating of at least "Aa3" by Moody's and "AA-" by S&P that is willing to assume the obligations of the CSP under this Replacement Transaction Agreement (and under any Credit Support Annex related hereto) with respect to the Master Agreement and all Transactions thereunder (such entity, a "Substitute CSP"), or (ii) with the consent of the Counterparty, to a Substitute CSP regardless of its ratings.

(b) If an Event of Default or Termination Event shall have occurred under the Master Agreement or any Transaction thereunder with respect to which the Provider is the Defaulting Party or an Affected Party, and such Event of Default or Termination Event arises solely by reason of a CSP-Triggered Event, then notwithstanding anything to the contrary contained in the Master Agreement, the Counterparty agrees that it shall not designate an Early Termination Date with respect to the Master Agreement and all Transactions thereunder unless the Counterparty shall have given to the Provider not fewer than thirty (30) days' prior written notice of its intention to designate an Early Termination Date ("Notice of Intended Termination") on a Business Day specified therein. If (i) within fifteen (15) days of its receipt of such Notice of Intended Termination, the Provider shall have notified the Counterparty and the CSP that it intends to provide a Substitute CSP and (ii) within twenty-five (25) days of the Provider's receipt of the Notice of Intended Termination an assignment by the CSP and assumption by the Substitute CSP with respect to this Replacement Transaction Agreement (and any Credit Support Annex related hereto) and the Master Agreement and all Transactions thereunder (in form and substance reasonably satisfactory to the Counterparty) shall have been executed and delivered to the Counterparty, then the replacement of the CSP by such Substitute CSP shall occur in lieu of an Early Termination Date with respect to the Master Agreement and all Transactions thereunder, and an Early Termination Date shall not occur by reason of such Event of Default or Termination Event (as applicable). If no such Substitute CSP assumes the obligations of the CSP in accordance with this Paragraph 3(b) as of the date specified in clause (ii) of the preceding sentence, then the date specified in the Notice of Intended Termination shall be deemed to have been designated by the Counterparty as an Early Termination Date with respect to the Master Agreement and all Transactions thereunder.

(c) The CSP hereby covenants and agrees that it shall cooperate with the Provider and the Counterparty in taking such ministerial actions as may reasonably be requested with regard to any Substitute CSP, including, but not limited to, executing any documentation of a ministerial nature necessary to reflect the assignment and assumption of this Replacement Transaction Agreement (and any Credit Support Annex related hereto).

4. Satisfaction of Obligations Under Section 6(e) of the Master Agreement. Upon the occurrence of an Early Termination Date with respect to the Master Agreement and all Transactions thereunder, the Settlement Amount and any net Unpaid Amounts that may be owing from the Counterparty to the Provider, or from the Provider to the Counterparty, as applicable, shall be determined and paid or otherwise satisfied in accordance with Part 1(j) of the Schedule to the Master Agreement, as modified by Part 5 of the Schedule to the Master Agreement, the provisions of which are incorporated herein by reference as if fully set forth herein. Each of the parties hereto hereby ratifies, confirms and agrees to satisfy its obligations with respect to the agreements, assignments and payments to be made by it in accordance with

such Part 1(j)), as modified by Part 5 of the Schedule to the Master Agreement; *provided* that the CSP hereby agrees that it shall perform its obligations under this Replacement Transaction Agreement, irrespective of whether it receives any payments from the Provider under the Master Agreement.

5. *Written Agreement as to Any Transaction.* Other than the initial transaction(s) to be entered into on or about August [], 2008 (the "Initial Transactions") which shall be subject to this Replacement Transaction Agreement and the Master Agreement upon execution hereof, no Transaction shall be subject to the Master Agreement, and neither the Provider nor the Counterparty shall have any right or benefit under this Replacement Transaction Agreement or the Master Agreement with respect to any Transaction, unless Exhibit A to this Replacement Transaction Agreement, as such Exhibit A may be updated from time to time in connection with the addition of Transaction(s), (i) references the related Confirmation, and (ii) with such reference, is executed by each of the Provider, the Counterparty and the CSP. In connection with the foregoing, each of the Provider and the Counterparty agrees and covenants not to enter into any Transaction (other than the Initial Transactions) under the Master Agreement that is not subject to this Replacement Transaction Agreement.

6. *Role of the CSP.* Notwithstanding anything contained in this Replacement Transaction Agreement, the Master Agreement or the Confirmations thereunder to the contrary, unless and until an Early Termination Date has occurred pursuant to and with respect to the Master Agreement and any or all Transactions thereunder, the CSP shall have no obligations under this Replacement Transaction Agreement except as expressly provided in Paragraph 3 hereof; *provided, however*, that each of the parties hereto (including the CSP) shall be responsible for the representations made by it pursuant to Paragraph 1 hereof.

7. *Bankruptcy Code.* It is the express intention of the Provider, the Counterparty and the CSP that (i) the Master Agreement and all Transactions thereunder and this Replacement Transaction Agreement (including, without limitation, the option granted in Paragraph 2(a) hereof), a Replacement Master Agreement deemed entered into pursuant to Paragraph 2(a) hereof and any Credit Support Annex between the Counterparty and the CSP relating hereto shall collectively constitute a single agreement, (ii) the foregoing, together with all Replacement Transactions, shall each constitute a "swap agreement" as defined in section 101(53B) of Title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code") and (iii) the parties shall each constitute a "swap participant" under section 101(53C) of the Bankruptcy Code, in each case subject to and entitled to the exemptions and protections afforded by sections 362(b)(17), 362(o), 546(g), 548(d) and 560 of the Bankruptcy Code.

8. *Security Interest.* The Counterparty hereby acknowledges and agrees that the Provider may grant a security interest in all of its right, title and interest in and to the Master Agreement and any or all Transactions thereunder to the CSP.

9. *No Modification.* Each of the Counterparty and the Provider agrees that any amendment, supplement, waiver or other modification of any of the terms or conditions of the Master Agreement or any Transaction thereunder shall be in writing and shall be subject to the prior written consent of the CSP. Any amendment, supplement, waiver or other modification of any of the terms or conditions of the Master Agreement or any Transaction thereunder effected

without the prior written consent of the CSP shall be void *ab initio* and have no force and effect with respect to the Master Agreement or any Transaction thereunder.

10. Assignment of Rights and Subrogation. Upon the occurrence of an Early Termination Date with respect to the Master Agreement and all Transactions thereunder and entering into Replacement Transactions under the Replacement Master Agreement in accordance with Paragraph 2(a) hereof, the Counterparty agrees that it shall be deemed to have assigned to the CSP, and the CSP shall be expressly subrogated to, and shall otherwise be entitled to, any and all rights of the Counterparty as against the Provider arising under the Master Agreement or any Transaction thereunder. Each of the Counterparty and the Provider expressly acknowledges and agrees to the assignment of rights and subrogation provided for in the preceding sentence.

11. Further Assurances. Each of the parties hereto agrees to execute and deliver such documents, and to take such further actions, in each case of a ministerial nature, as may reasonably be requested by any party hereto in order to effectuate the express terms, or the clear purpose and intent, of any of the provisions contained in this Replacement Transaction Agreement.

12. Notices. The address for notice or communication to the CSP is as follows:

Deutsche Bank AG, New York Branch
60 Wall Street
New York, New York 10005
Attention: Patrick Marsh
Facsimile: (212) 797-2210 or (212) 797-2218

The address for notice or communication to the Provider or the Counterparty shall be as specified in the Master Agreement. Notices under this Replacement Transaction Agreement shall be subject to and governed by the notice provisions of the Master Agreement as if given thereunder.

13. GOVERNING LAW. THIS REPLACEMENT TRANSACTION AGREEMENT SHALL BE CONSTRUED, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

14. Waiver of Jury Trial. THE PARTIES HERETO, TO THE FULLEST EXTENT PERMITTED BY THE TEXAS CONSTITUTION AND APPLICABLE LAW, WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ENFORCING OR DEFENDING ANY RIGHTS UNDER THIS AGREEMENT OR RELATING THERETO. EACH OF THE PARTIES ACKNOWLEDGES THAT THE PROVISIONS OF THIS SECTION HAVE BEEN BARGAINED FOR AND THAT IT HAS BEEN REPRESENTED BY COUNSEL IN CONNECTION THEREWITH. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT OR THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH OF

THE PARTIES HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH OF THE PARTIES HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY IS WAIVING ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY A COURT (RATHER THAN BY A JURY) UNDER THIS AGREEMENT.

15. Amendments. No amendment, modification or waiver in respect of this Replacement Transaction Agreement will be effective unless in writing (including a writing evidenced by facsimile transmission) and executed by each of the parties.

16. Counterparts. This Replacement Transaction Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed to be an original

IN WITNESS WHEREOF, the parties have executed this Replacement Transaction Agreement by their duly authorized officers as of the date hereof.

Morgan Keegan Financial Products, Inc.

By: _____
Name:
Title:

City of Austin, Texas

By: _____
Name:
Title:

Deutsche Bank AG, New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A

Transactions Under the Master Agreement Subject to the Replacement Transaction Agreement

(1) Transaction described in, and provided for pursuant to, the Confirmation, dated as of _____, 200[8], bearing [Trade Reference Number _____], between the Counterparty and the Provider, which Transaction is subject to the Master Agreement and the Replacement Transaction Agreement.

Dated as of _____, 200[8]

Morgan Keegan Financial Products, Inc.

By: _____
Name:
Title:

City of Austin, Texas

By: _____
Name:
Title:

Deutsche Bank AG, New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT B

Modifications to the Master Agreement for Purposes of the Replacement Master Agreement

1. Part 1(b) of the Schedule shall be deleted in its entirety and replaced with the following:

“(b) **“Specified Transaction”** will have the meaning specified in Section 12 of this Agreement, except that with respect to the Counterparty, such term shall include only those transactions described therein pursuant to which the Counterparty’s obligations are payable in whole or in part from Pledged Revenues.”
2. Part 1(d) of the Schedule shall be deleted in its entirety and replaced with the following:

“(d) **“Specified Indebtedness”** has the meaning specified in Section 12, except that (i) Specified Indebtedness shall not include indebtedness in respect of bank deposits received in the ordinary course of business, and (ii) with respect to the Counterparty, such term shall include only those obligations payable in whole or in part from Pledged Revenues.”
3. Part 1(e) of the Schedule shall be deleted in its entirety and replaced with the following:

“(e) **“Threshold Amount”** means: (i) with respect to the Provider or any Credit Support Provider of such party, 1% of its shareholders’ equity (determined in accordance with generally accepted accounting principles); and (ii) with respect to the Counterparty, U.S. \$10,000,000 (or the equivalent in another currency, currency unit or combination thereof).”
4. The first paragraph of Part 1(i) of the Schedule shall be deleted in its entirety and replaced with the following:

“(i) The **“Automatic Early Termination”** provisions of Section 6(a) will not apply to the Provider and the Counterparty; *provided, however*, with respect to the Counterparty, where the Event of Default is specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8), and the Counterparty is governed by a system of law which does not permit termination to take place upon or after the occurrence of the relevant Event of Default in accordance with the terms of this Agreement, then the Automatic Early Termination provisions of Section 6(a) will apply to the Counterparty.

In addition to, and notwithstanding anything to the contrary in the preceding sentence, if an Early Termination Date occurs under Section 6(a) as a result of Automatic Early Termination, the Defaulting Party hereby agrees to pay to the Non-defaulting Party on demand an amount equal to all loss or damage that the Non-defaulting Party may sustain or incur (including in relation to terminating, liquidating, obtaining or re-establishing any hedge or related position to the extent not already taken into account in the calculation performed under Section 6(e)) in respect of each Transaction as a result of movements in relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data between the Early Termination Date and the Local Business Day upon which the

Non-defaulting Party first becomes aware that the Early Termination Date has occurred under Section 6(a); *provided, however*, that if the Non-defaulting Party determines that any such movements have actually resulted in a net, after tax, gain for the Non-defaulting Party, then the Non-defaulting Party agrees to pay to the Defaulting Party the sum of such gain, subject to any rights the Non-defaulting Party may have under this Agreement or otherwise.”

5. Part 1(j) of the Schedule shall be deleted in its entirety and replaced with the following:

“(j) **Payments on Early Termination:** “Market Quotation” and “Second Method” shall apply for purposes of Section 6(e) of this Agreement.”

6. Part 1(k)(ii) of the Schedule shall be deleted in its entirety and replaced with the following:

“(ii) **Provider Credit Event.** The occurrence at any time of a Provider Credit Event (as hereinafter defined) shall be an Additional Termination Event with respect to the Provider. As used herein, “Provider Credit Event” shall mean that, with respect to the Provider, the long-term, unsecured, unenhanced and unsubordinated indebtedness of the Provider shall cease to be rated at least “Baa3” by Moody’s or “BBB-” by S&P, or such indebtedness ceases to be rated by Moody’s or S&P or either of such ratings is withdrawn or suspended. Upon the occurrence of a Provider Credit Event, the Provider shall be deemed to be the sole Affected Party and all Transactions shall be deemed to be Affected Transactions ”

7. Part 1(k)(v) of the Schedule shall be deleted in its entirety and replaced with the following: “[Intentionally omitted]”.

8. Part 3(a) of the Schedule shall be deleted in its entirety and replaced with the following:

“(a) **Address for Notices.** For the purpose of Section 10(a):

Address for notice or communications to the Counterparty:

City of Austin, Texas
P.O. Box 2106
Austin, Texas 78768
Attention: City Treasurer
Facsimile: (512) 370-3838

Address for notice or communications to the Provider:

All notices to the Provider under Sections 5 or 6 (other than notices under Section 5(a)(i)) shall be sent to:

Deutsche Bank AG, New York Branch
60 Wall Street
New York, NY 10005
Attention: Legal Department – Global Markets
Facsimile: (212) 797-4566

All other notices to the Provider shall be sent directly to the Office through which Provider is acting for the relevant Transaction, using the address and contact particulars specified in the Confirmation of that Transaction or otherwise notified.”

9. Part 3(b) of the Schedule shall be deleted in its entirety and replaced with the following:

“(b) **Calculation Agent.** The Calculation Agent is the Provider, unless the Provider is a Defaulting Party in which case the Counterparty or an Agent of the Counterparty will be the Calculation Agent.
10. The last paragraph of Part 3(c) of the Schedule shall be deleted in its entirety and replaced with the following:

“Credit Support Document means in relation to the Provider: the Credit Support Annex dated as of the date hereof (the provisions of which are incorporated by reference herein).”
11. The last paragraph of Part 3(d) of the Schedule shall be deleted in its entirety and replaced with the following:

“Credit Support Provider means in relation to the Provider: None.”
12. If Part 3(h) of the Schedule reads “will not apply,” then Part 3(h) shall be deleted in its entirety and replaced with the following:

“(h) **Netting of Payments.** Subparagraph (ii) of Section 2(c) will apply.”
13. The definition of “CSP” in Part 4(g) shall be deleted in its entirety and replaced with “[Intentionally omitted].”
14. The definition of “Replacement Transaction Agreement” in Part 4(g) shall be deleted in its entirety and replaced with “[Intentionally omitted].”
15. Part 4(i)(ii) of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted].”

16 Part 4(j)(iv) of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted].”

17. Part 4(k) of the Schedule shall be deleted in its entirety and replaced with:

“(k) **Bankruptcy Code.** It is the express intention of the Provider, the Counterparty and each Credit Support Provider of any party that (i) this Agreement and all Transactions hereunder and any Credit Support Annex that may be entered into between the Counterparty and the Provider shall collectively constitute a single agreement and shall each constitute a “swap agreement” as defined in section 101(53B) of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (the “Bankruptcy Code”) and (ii) each of the parties constitutes a “swap participant” under section 101(53C) of the Bankruptcy Code, in each case subject to and entitled to the exemptions and protections afforded by, among other things, sections 362(b)(17), 362(o), 546(g), 548(d) and 560 of the Bankruptcy Code.”

18. Part 4(l) of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted].”

19. Part 4(m) of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted].”

20. The following new paragraph “r” shall be added at the end of Part 4:

“(r) **Set-off.** (i) Section 6 of this Agreement is amended by the addition of the following Section 6(f):

“(f) Upon the designation of any Early Termination Date, the party that is not the Defaulting Party or Affected Party (“X”) may, without prior notice to the Defaulting or Affected Party (“Y”), set off any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by Y to X or any Affiliate of X (the “X Set Off Amount”) against any sum or obligation (whether or not arising under this Agreement, whether matured or unmatured, whether or not contingent and irrespective of the currency, place of payment or booking office of the sum or obligation) owed by X or any Affiliate of X to Y (the “Y Set Off Amount”). X will give notice to the other party of any set off effected under this Section 6(f).

For this purpose, either the X Set Off Amount or the Y Set Off Amount (or the relevant portion of such set off amounts) may be converted by X into the currency in which the other set off amount is denominated at the rate of exchange at which X would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency

If a sum or obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other rights to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

For purposes of this Section 6(f), the obligations subject to set-off with respect to the Counterparty shall be limited to obligations payable (in whole or in part) solely from or which, when paid by the Counterparty, will be included in, Pledged Revenues.”

21. Part 5 of the Schedule shall be deleted in its entirety and replaced with “[Intentionally omitted].”
22. Subject to the foregoing, all references in the Schedule to “Morgan Keegan Financial Products, Inc.” shall be deleted and replaced with “Deutsche Bank AG, New York Branch.”
23. All references to “and the CSP” and “or the CSP” shall be deleted.



International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the
ISDA Master Agreement
(Local Currency – Single Jurisdiction)
deemed entered into and binding pursuant to that certain
Replacement Transaction Agreement by and between

**DEUTSCHE BANK AG,
NEW YORK BRANCH**
("Party A")

and

CITY OF AUSTIN, TEXAS
("Party B")

dated as of August 11, 2008

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party

Accordingly, the parties agree as follows.—

Paragraph 1. Interpretation

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail

(b) **Secured Party and Pledgor.** All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity, *provided, however*, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party

Paragraph 3. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Delivery Amount**" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Return Amount**" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount

"**Credit Support Amount**" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold, *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party, and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) ***Substitutions.***

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"), and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"), *provided* that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support

Paragraph 5. Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute,

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained, *provided* that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction), and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer

Paragraph 6. Holding and Using Posted Collateral

(a) **Care of Posted Collateral.** Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto

(b) **Eligibility to Hold Posted Collateral; Custodians.**

(i) **General.** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting

(ii) **Failure to Satisfy Conditions.** If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions

(iii) **Liability.** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) **Use of Posted Collateral.** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) **Distributions and Interest Amount.**

(i) **Distributions.** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose)

(ii) **Interest Amount.** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

- (i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;
- (ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or
- (iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies

(a) **Secured Party's Rights and Remedies.** If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

- (i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party,
- (ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any,
- (iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral), and
- (iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) ***Pledgor's Rights and Remedies.*** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement).

(i) the Pledgor may exercise all rights and remedies available to a Pledgor under applicable law with respect to Posted Collateral held by the Secured Party,

(ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor

(c) ***Deficiencies and Excess Proceeds.*** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations, the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b)

(d) ***Final Returns.*** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien,

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it Transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2

Paragraph 10. Expenses

- (a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith
- (b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c), except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).
- (c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

- (a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obliged to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that the Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.
- (b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount
- (c) **Further Protection.** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).
- (d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner
- (e) **Demands and Notices.** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13
- (f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly

Paragraph 12. Definitions

As used in this Annex:—

“Cash” means the lawful currency of the United States of America

“Credit Support Amount” has the meaning specified in Paragraph 3

“Custodian” has the meaning specified in Paragraphs 6(b)(i) and 13.

“Delivery Amount” has the meaning specified in Paragraph 3(a)

“Disputing Party” has the meaning specified in Paragraph 5.

“Distributions” means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein

“Eligible Collateral” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

“Eligible Credit Support” means Eligible Collateral and Other Eligible Support

“Exposure” means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”)

“Independent Amount” means, with respect to a party, the amount specified as such for that party in Paragraph 13, if no amount is specified, zero

“Interest Amount” means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

- (x) the amount of Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day, divided by
- (z) 360

“Interest Period” means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

“Interest Rate” means the rate specified in Paragraph 13

“Local Business Day”, unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

“Minimum Transfer Amount” means, with respect to a party, the amount specified as such for that party in Paragraph 13, if no amount is specified, zero.

“Notification Time” has the meaning specified in Paragraph 13.

“Obligations” means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

“Other Eligible Support” means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13

“Other Posted Support” means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

“Pledgor” means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a)

“Posted Collateral” means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8 Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

“Posted Credit Support” means Posted Collateral and Other Posted Support

“Recalculation Date” means the Valuation Date that gives rise to the dispute under Paragraph 5; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the “Recalculation Date” means the most recent Valuation Date under Paragraph 3.

“Resolution Time” has the meaning specified in Paragraph 13.

“Return Amount” has the meaning specified in Paragraph 3(b)

“Secured Party” means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support

“Specified Condition” means, with respect to a party, any event specified as such for that party in Paragraph 13.

“Substitute Credit Support” has the meaning specified in Paragraph 4(d)(i).

“Substitution Date” has the meaning specified in Paragraph 4(d)(ii)

“Threshold” means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero

“Transfer” means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient,

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

“Valuation Agent” has the meaning specified in Paragraph 13.

“Valuation Date” means each date specified in or otherwise determined pursuant to Paragraph 13.

“Valuation Percentage” means, for any item of Eligible Collateral, the percentage specified in Paragraph 13

“Valuation Time” has the meaning specified in Paragraph 13

“Value” means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

- (i) Eligible Collateral or Posted Collateral that is:
 - (A) Cash, the amount thereof, and
 - (B) a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;
- (ii) Posted Collateral that consists of items that are not specified as Eligible Collateral, zero, and
- (iii) Other Eligible Support and Other Posted Support, as specified in Paragraph 13.

CREDIT SUPPORT ANNEX

dated as of August [], 2008

between

**Deutsche Bank AG,
New York Branch**

and

City of Austin, Texas

(*“Party A”*)

(*“Party B”*)

to the Schedule to the
ISDA Master Agreement
(Local Currency – Single Jurisdiction)
deemed entered into and binding pursuant to that certain
Replacement Transaction Agreement by and between
Deutsche Bank AG, New York Branch
City of Austin, Texas and
Morgan Keegan Financial Products, Inc.
dated as of August [], 2006

[ISDA PRE-PRINTED FORM TO BE INSERTED]

Paragraph 13. Elections and Variables

- (a) ***Security Interest for “Obligations”.*** The term “Obligations” as used in this Annex includes no additional obligations with respect to Party A and Party B
- (b) ***Credit Support Obligations.***
 - (i) Delivery Amount, Return Amount and Credit Support Amount.
 - (A) ***“Delivery Amount”*** will have the meaning specified in Paragraph 3(a).
 - (B) ***“Return Amount”*** will have the meaning specified in Paragraph 3(b).
 - (C) ***“Credit Support Amount”*** will have the meaning specified in Paragraph 3.
 - (ii) Eligible Collateral. The following items will qualify as “Eligible Collateral”:

Collateral Type

Valuation Percentage

- | | | |
|-----|--|------|
| (A) | Cash, in the form of U.S. Dollars | 100% |
| (B) | negotiable debt obligations issued by the U S Treasury Department having remaining maturities of not more than one year ("Treasury Bills") | 99% |
| (C) | negotiable debt obligations issued by the U S. Treasury Department having remaining maturities of more than one year but not more than ten years ("Treasury Notes") | 98% |
| (D) | negotiable debt obligations issued by the U.S. Treasury Department having remaining maturities of more than ten years ("Treasury Bonds") | 96% |
| (E) | negotiable debt obligations issued by the Federal National Mortgage Association, the Government National Mortgage Corporation the Federal Home Loan Mortgage Corporation, provided, however, that such securities may not be (a) multi-class or multi-branch securities or (b) paying interest or principal only ("Agency Securities") | 96% |
- (iii) Other Eligible Support. There shall be no "Other Eligible Support" for purposes of this Annex.
- (iv) Thresholds.
- (A) "**Independent Amount**" shall mean (i) with respect to Party A, none and (ii) with respect to Party B, none.
- (B) "**Threshold**" means, (i) with respect to Party B, not applicable, and (ii) with respect to the Party A, the amounts determined on the basis of the lowest of the ratings assigned to the long-term, unsecured, unenhanced and unsubordinated indebtedness (the "Credit Ratings") of the Pledgor set forth in the following table, *provided, however*, that if (i) the Pledgor has no Credit Rating from any two rating agencies, or (ii) an Event of Default has occurred and is continuing with respect to the Pledgor, then the Threshold shall be U.S.\$0.

CREDIT RATING (S&P / Moody's)	THRESHOLD (Pledgor)
A-/A3 or above	Infinite
BBB+/Baa1	\$10,000,000
BBB/Baa2	\$5,000,000
BBB-/Baa3 or below or not rated	Zero

- (C) ***“Minimum Transfer Amount”*** means means, with respect to Party A, the amounts set out in the chart below determined on the basis of the lower of the ratings assigned by either S&P (or its successors or assigns) or Moody’s (or its successors or assigns) to the long term, unsecured and unsubordinated debt of Party A and, means with respect to Party B, the amounts set out in the chart below determined on the basis of the lower of the ratings assigned by either S&P (or its successors or assigns) or Moody’s (or its successors or assigns) to the Bonds; provided, however, that if an Event of Default has occurred and is continuing with respect to a party, the Minimum Transfer Amount for such party shall be \$0:

<u>S&P</u>	<u>Moody’s</u>	<u>Minimum Transfer Amount</u>
BBB+and above	Baa1 and above	\$1,000,000
BBB or below	Baa2 or below	\$100,000

- (D) ***Rounding.*** With respect to Transfers to be made by the Pledgor, the Delivery Amount will be rounded up to the nearest integral multiple of U.S.\$10,000. With respect to Transfers to be made by the Secured Party, the Return Amount will be rounded down to the nearest integral multiple of U.S.\$10,000.

(c) ***Valuation and Timing.***

- (i) ***“Valuation Agent”*** means, for purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3; for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable; and for purposes of Paragraph 4(d), the Secured Party for purposes of calculating the Value in connection with substitutions.
- (ii) ***“Valuation Date”*** means any Local Business Day designated by the parties
- (iii) ***“Valuation Time”*** means the close of business on the Local Business Day preceding the Valuation Date or date of calculation, as applicable.
- (iv) ***“Notification Time”*** means by 1:00 p.m., New York time, on a Local Business Day.
- (d) ***Conditions Precedent.*** With respect to Party A, an Illegality and any Additional Termination Event (if Party A is the Affected Party with respect to such Additional Termination Event) will be a “Specified Condition.” With respect to Party B, an Illegality and any Additional Termination Event (if Party B is the Affected Party with respect to such Additional Termination Event) will be a “Specified Condition.”

(e) ***Substitution.***(i) “***Substitution Date***” has the meaning specified in Paragraph 4(d)(ii).(ii) Consent. Inapplicable.(f) ***Dispute Resolution.***(i) “***Resolution Time***” means 1:00 p.m., New York time, on the Local Business Day following the date on which notice is given that gives rise to a dispute under Paragraph 5(ii) Value. For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support other than Cash will be calculated as follows: With respect to any Eligible Collateral except Cash, the sum of (I) (x) the mean of the high bid and low asked prices quoted on such date by any principal market maker for such Eligible Collateral chosen by the Disputing Party, or (y) if no quotations are available from a principal market maker for such date, the mean of such high bid and low asked prices as of the first day prior to such date on which such quotations were available, and (II) the accrued interest on such Eligible Collateral (except to the extent Transferred to a party pursuant to any applicable provision of this Annex or included in the applicable price referred to in (I)) as of such date, multiplied by the applicable Valuation Percentage.

(iii) The provisions of Paragraph 5 will apply.

(g) ***Holding and Using Posted Collateral.***(i) Eligibility to Hold Posted Collateral; Custodians. The Secured Party will be entitled to hold Posted Collateral (i) itself pursuant to Paragraph 6(b), *provided* that it is not a Defaulting Party or (ii) through a Custodian pursuant to Paragraph 6(b), *provided* that the Custodian is a Bank (as defined in the Federal Deposit Insurance Act) whose rating with respect to its long term unsecured, unsubordinated indebtedness is at least “A” by S&P or “A2” by Moody’s.(ii) Use of Posted Collateral. The provisions of Paragraph 6(c) will apply.(h) ***Distributions and Interest Amount.***(i) Interest Rate. The Interest Rate for any day means the Federal Funds Overnight Rate. For the purposes hereof, “Federal Funds Overnight Rate” means, for any day, an interest rate per annum equal to the rate published as the Federal Funds Effective Rate that appears on Telerate Page 118 for such day.(ii) Transfer of Interest Amount. The Transfer of the Interest Amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that

Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).

(iii) Alternative to Interest Amounts. The provisions of Paragraph 6(d)(ii) will apply.

(i) ***Additional Representations.*** None.

(j) ***Other Eligible Support and Other Posted Support.***

(i) ***“Value”*** shall have no meaning with respect to Other Eligible Support and Other Posted Support.

(ii) ***“Transfer”*** shall have no meaning with respect to Other Eligible Support and Other Posted Support.

(k) ***Demands and Notices.***

All demands, specifications and notices made by a party to this Annex will be made pursuant to Section 12 of this Annex, unless otherwise specified here:

With respect to Party A:

Deutsche Bank AG, New York Branch
60 Wall Street
New York, NY 10005
Attention: Collateral Management and Valuations
Facsimile: (212) 797-5922

With respect to Party B:

City of Austin, Texas
P.O. Box 2106
Austin, Texas, 78768
Attention: City Treasurer
Facsimile: (512) 370-3838

(l) ***Party B Not Obligated To Transfer Eligible Credit Support.*** Party A and Party B agree that, notwithstanding anything to the contrary in this Annex, including, without limitations, the recitals, Paragraph 1(b) or Paragraph 2, the definitions in Paragraph 12, or Table I hereof: (a) the term "Secured Party" as used in this Annex means only Party B, (b) the term "Pledgor" as used in this Annex means only Party A, (c) only Party A makes the pledge and grant in Paragraph 2, the acknowledgment in the final sentence of Paragraph 8(a) and the representations in Paragraph 9, and (d) only Party A will be required to make transfers of Eligible Credit Support under this Annex.

(m) ***Additional Definitions.***

“Agreement” means an ISDA Master Agreement (1992 Local Currency – Single Jurisdiction), between Party A and Party B (together with the Schedule thereto and this Annex) that Party A and Party B have agreed to be bound by and have been deemed to have entered into, having terms identical to those of the Initial Agreement (other than this Annex), but for certain modifications set forth in the Replacement Transaction Agreement.

“Initial Agreement” means the ISDA Master Agreement (1992 Local Currency – Single Jurisdiction), dated as of August [], 2008, between Party B and Morgan Keegan Financial Products, Inc., together with the Schedule thereto.

“Initial Transaction” means each Transaction entered into pursuant to the Initial Agreement.

“Replacement Transaction Agreement” means the Replacement Transaction Agreement, dated as of August [], 2008, by and between Morgan Keegan Financial Products, Inc., Party A and Party B.

“Replacement Transactions” means Transactions (other than the option granted by Party A to Party B) entered into pursuant to the Agreement, identical in their terms to all Initial Transactions except as otherwise specified in Paragraph 2(a) of the Replacement Transaction Agreement.

- (n) ***Exposure.*** The definition of “Exposure” in Paragraph 12 of this Annex is amended to add the following sentence at the end of such definition:

“Notwithstanding the foregoing, unless and until either (i) the option granted by Party A to Party B under the Agreement, pursuant to Paragraph 2(a) of the Replacement Transaction Agreement, is exercised or (ii) the Initial Agreement and all Initial Transactions thereunder are assigned by Morgan Keegan Financial Products, Inc. to Party A pursuant to Part 4(m)(i) of the Schedule to the Initial Agreement, Exposure means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of the Agreement as if (a) the option granted by Party A to Party B under the Agreement, pursuant to Paragraph 2(a) of the Replacement Transaction Agreement, had been exercised and Replacement Transactions had become effective thereunder, and (b) all such Replacement Transactions under the Agreement were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”).”

- (o) ***Assignment of the Initial Agreement.*** In the event the Initial Agreement and all Initial Transactions thereunder are assigned by Morgan Keegan Financial Products, Inc. to Party A pursuant to Part 4(m)(i) of the Schedule to the Initial Agreement, Party A and Party B agree that this Annex shall constitute a Credit Support Annex to the Initial Agreement as such Initial Agreement is assigned and modified pursuant to the Replacement Transaction Agreement.

Please confirm your agreement to the terms of the foregoing Paragraph 13 by signing below.

DEUTSCHE BANK AG, NEW YORK BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

CITY OF AUSTIN, TEXAS

By: _____
Name:
Title: